



Company Update

Union Properties

Rating: Market Perform

Liquidity Concerns Remain; Changing Rating to Market Perform

We rate UPP stock as a Market Perform. Previously, we had placed our rating and estimates under review given that the company had not provided detailed financial statements in its preliminary 1Q09 release on May 4. With UPP now disclosing its first quarter 2009 financial statements, we take this opportunity to issue our estimates and rating on the stock.

Liquidity concerns likely to remain an overhang in the intermediate term. We expect UPP's quarterly revenues to show sequential improvement in 2009 given that the company should handover MotorCity, Limestone House and Index Towers this year. However, UPP has little cash (AED128mm), remains highly leveraged (103% debt-to-equity ratio; short-term debt of AED3.8bn net of AED1.1bn refinancing done after 1Q09), and in light of the weak Dubai real estate market fundamentals, does not have enough of a liquidity cushion to withstand a high level of buyer defaults, should they occur going forward this year. We do point out that the company's largest lender, ENBD, is also its primary shareholder (47.6% stake). Thus, we are optimistic about future refinancings of short-term facilities should the need arise.

We remain cautious on UPP. In terms of liquidity, balance sheet strength, and potential government support, Union Properties remains the weakest stock under our coverage after Aldar, Sorouh, and Emaar. *We rate UPP as a Market Perform with a DCF-derived 12-month price target of AED0.80.*

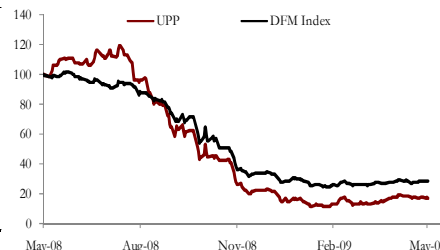
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Equity Data

Current Price (AED)	0.75
Target Price (AED)	0.80
Upside/downside	6%
12 Mo. Performance	-83%
Market Cap. (AED bn.)	2.5
Enterprise Value (AED bn.)	8.6
RIC	UPRO.DU



(AED Millions)	2007 A	2008A	2009E	2010 E	2011E
Revenues	2,922	3,637	7,274	5,965	4,891
Gross Margins	18.4%	11.6%	21.0%	23.5%	26.0%
EBIT	405	257	1,397	1,294	1,184
EBIT Margin	13.9%	7.1%	19.2%	21.7%	24.2%
EBITDA	443	311	1,429	1,330	1,223
EBITDA Margin	15.2%	8.6%	19.6%	22.3%	25.0%
EPS	0.22	0.25	0.44	0.38	0.35
PE	3.4	3.0	1.7	2.0	2.1
Cash Earnings/Share	0.12	(0.10)	0.41	0.37	0.34
P/Cash Earnings	6.20	N.M.	1.83	2.02	2.20

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